



Investor Teleconference Presentation First Quarter 2019



Fastenal Company
April 11, 2019



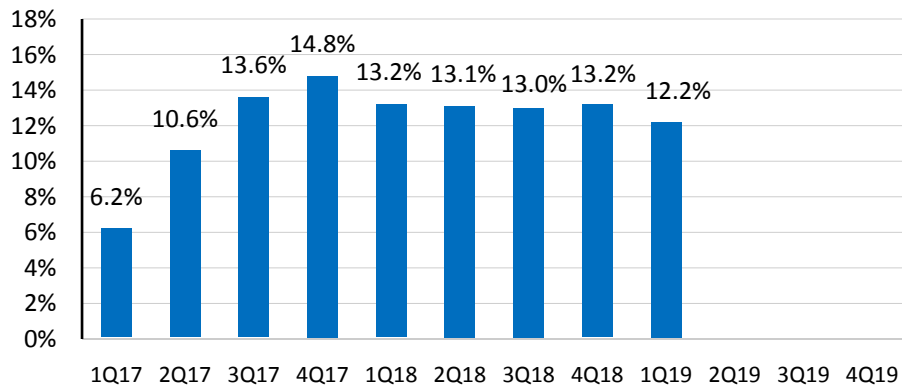
Safe Harbor Statement

All statements made herein that are not historical facts (e.g., goals regarding Onsite and vending signings as well as expectations regarding FTE, leverage, cash flow, and capital expenditures) are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially. More information regarding such risks can be found in the Form 10-K for Fastenal Company for the year ended December 31, 2018 filed with the Securities & Exchange Commission and our earnings release issued on April 11, 2019. Any numerical or other representations in this presentation do not represent guidance by management and should not be construed as such. The appendix to the following presentation includes a discussion of certain non-GAAP financial measures. Information required by Regulation G with respect to such non-GAAP financial measures can be found in the appendix.

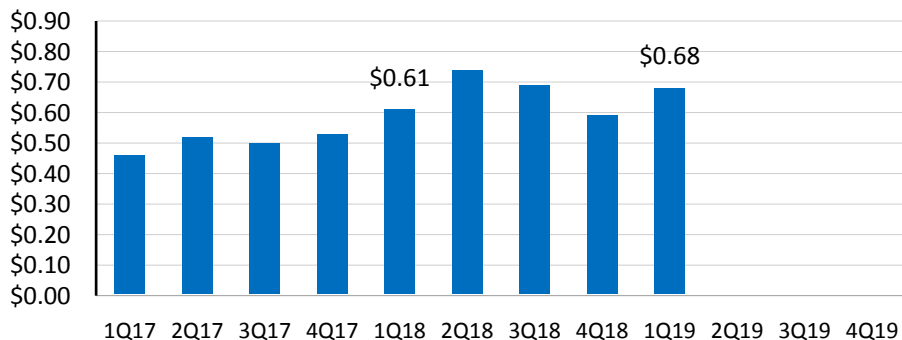


CEO Messages on 1Q19

Daily Sales Rate (DSR) Growth



EPS (Fully Diluted)

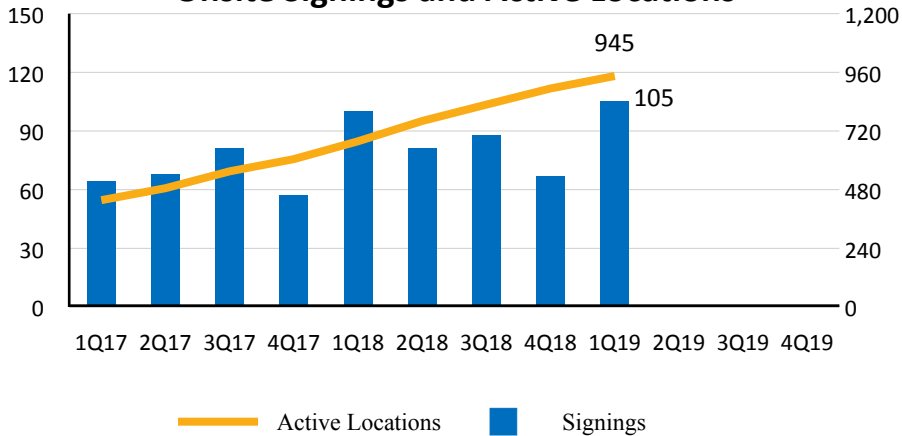


- 1Q19 EPS were \$0.68, +11.9%. Earnings grew faster than sales in a quarter impacted by weather and one fewer sales day.
- Despite challenging weather, demand was healthy, producing 12.2% daily sales growth in 1Q19. Activity levels have begun 2019 where 2018 left off.
- Operating margin expanded 20 bps to 20.0%, with an incremental margin of 21.7%. Gross margin was down annually but flat sequentially. Cost control and operating leverage remained strong.
- Incremental price realization halved the price/cost deficit to 20 bps in 1Q19 versus 4Q18. Pricing improved sequentially, though the year-over-year contribution was impacted by having to grow over last year's price increases.
- Accounts receivable remains challenging, but growing earnings and better inventory control produced better operating cash flow and conversion. This allowed us to pay a higher dividend and reduce debt.

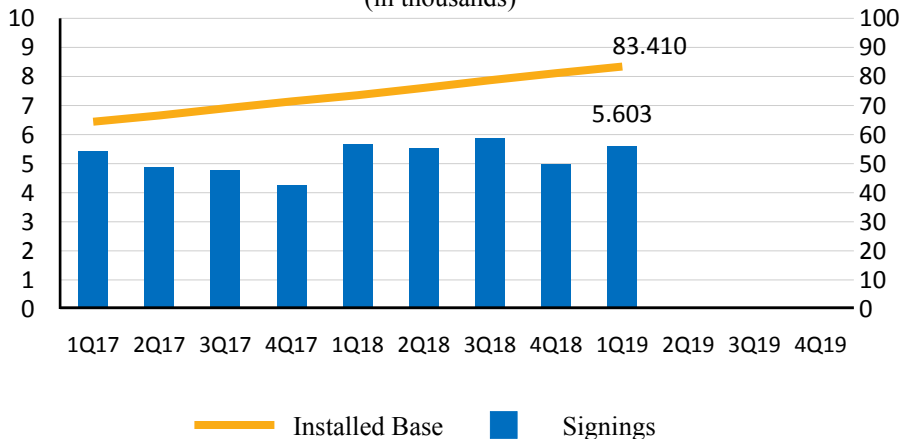


1Q19 Growth Driver Update

Onsite Signings and Active Locations



Vending Device Signings and Installed Base² (in thousands)



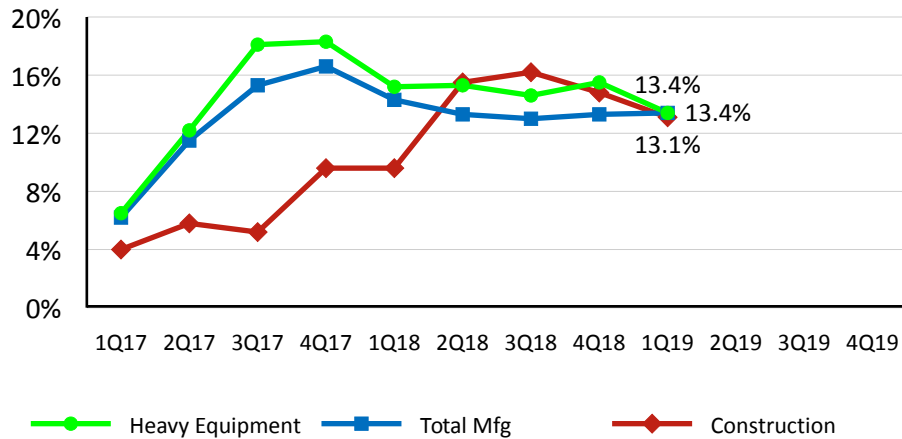
- *Onsites: we signed 105 in 1Q19 and finished 1Q19 with 945 active sites, +39.4% from 1Q18. Sales growth, excluding transferred branch sales, exceeded 20%. Our 2019 goal remains 375 to 400 signings.*
- *Vending: we signed 5,603 devices in 1Q19 and finished with an installed base of 83,410, +13.4% from 1Q18. Product sales growth through our devices were in the high teens. Our 2019 goal remains 23,000 to 25,000 device signings.*
- *Total in-market¹ locations were 3,132 at the end of 1Q19, versus 3,121 at 4Q18 and 3,007 at 1Q18. We closed 42 branches in 1Q19.*
- *National Accounts daily sales rose 16.9% in 1Q19 from 1Q18.*
- *Non-U.S. sales, which are about 14% of total sales, grew at a mid-teens daily rate. Mexico, Europe and Canada are healthy, more than offsetting weaker Asian and Latin American demand.*

¹ In-market locations include public branches (U.S. and ROW) plus Onsites
² Data excludes ~15K vending devices related to a leased locker program



1Q19 Business Cadence

End Market Daily Sales Rate (DSR) Growth¹



- U.S. PMI averaged 55.4 in 1Q19, below 1Q18 (59.7) and 4Q18 (57.0) but at healthy overall levels. U.S. Industrial Production was +3.4% in Jan/Feb. 2019 versus 1Q18 and -0.1% versus 4Q18.

- Manufacturing daily sales were +13.4% in 1Q19. Sub-verticals were healthy, with the exception of oil and gas. Non-Residential Construction daily sales were +13.1%. Despite tough weather conditions, the tone of the marketplace remains constructive.

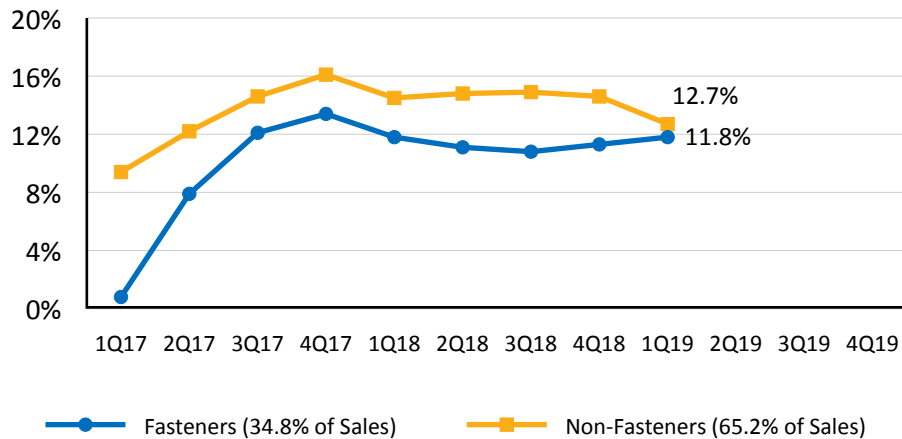
- Fastener daily sales were +11.8% and non-fastener daily sales were +12.7% in 1Q19. Fasteners grew faster than non-fasteners in March as growth in safety moderated from previously high levels.

- Non-National Account sales growth remained in the mid-to-high single digit range in 1Q19.

- Sales grew at 64.9% of our branches in 1Q19 (vs. 65.7% in 1Q18) and at 81 of our Top 100 National Accounts in 1Q19 (vs. 78 in 1Q18).

¹ In July 2017, we reclassified certain end market designations. Values shown in the chart at the top of this page will differ from prior presentations.

Product Category Daily Sales Rate (DSR) Growth





1Q19 Results Summary

Annual Rates of Change	1Q19	1Q18	% Chg.
Dollar amounts in millions, except per share amounts			
Net Sales	\$1,309.3	\$1,185.8	10.4%
DSR Yr./Yr. % Chg.	—	—	12.2%
Gross Profit	\$624.7	\$577.6	8.2%
Gross Profit Margin	47.7%	48.7%	(100) bps
Employee-Related Exp.	—	—	7.1%
Occupancy-Related Exp.	—	—	2.3%
All Other Oper/Admin Exp.	—	—	4.9%
Operating Income	\$261.4	\$234.5	11.4%
Operating Income Margin	20.0%	19.8%	20 bps
EPS (Fully-Diluted)	\$0.68	\$0.61	11.9%
Onsite Signings	105	100	5.0%
Vending Device Signings	5,603	5,679	(1.3%)
Branch Count	2,187	2,329	(6.1%)
In-market location FTE	12,482	11,878	5.1%
Total FTE	19,125	18,004	6.2%
Operating Cash Flow	\$204.9	\$159.7	28.3%
% of Net Earnings	105.6%	91.6%	—
Capital Expenditures (Net)	\$52.8	\$28.8	83.3%
Dividends	\$123.0	\$106.4	15.6%
Dividends Per Share	\$0.43	\$0.37	16.2%
Share Repurchases	—	—	—
Total Debt	\$489.0	\$405.0	20.7%
Tot. Debt/Capital	16.9%	15.7%	7.6%

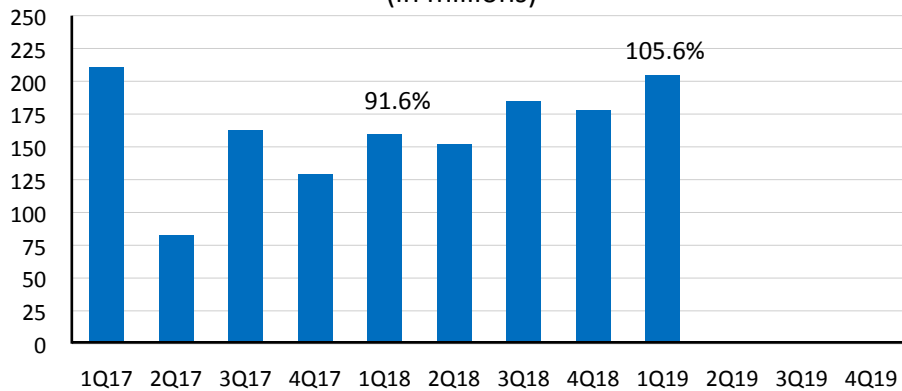
- Our 1Q19 operating margin was 20.0%, +20 bps. Lower gross margin was more than offset by a 110 bps decline in SG&A to 27.8% of sales, a record low for a first quarter. Our incremental operating margin was 21.7%.
- We leveraged Employee- (60 bps; headcount grew less than sales, incentive growth tapered) and Occupancy-related costs (35 bps; lower branch costs from closures). Other Operating Expense leverage of 20 bps was more modest than expected, in part from legal settlements and a large bad debt write-off.
- Pricing added 90-120 bps to 1Q19 sales, optically below 4Q18 as the period had to grow over price increases in 1Q18. Sequentially, slightly higher pricing trimmed the price/cost deficit to 20 bps.
- Gross margin was 47.7% in 1Q19, down 100 bps from 48.7% in 1Q18, due to product/customer mix, a price/cost deficit, lower net rebates and higher freight costs.
- Growth driver success continues to produce an expected mix shift that reduces gross margin, but also provides the conditions that enable strong operating expense leverage.

Percentage calculations may not be able to be reproduced due to rounding of dollar values.



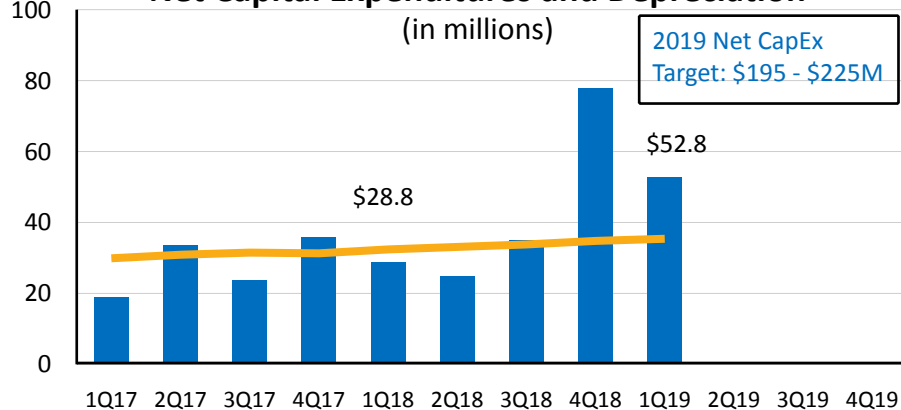
1Q19 Cash Flow Profile

Operating Cash Flow (in millions)



* Percentages above the bar represent OCF as a % of Net Earnings

Net Capital Expenditures and Depreciation (in millions)



Net Capital Expenditures = Property & Equipment, net of Proceeds from Sales

Depreciation (Yellow line) Net Capital Expenditures (Blue bars)

- 1Q19 operating cash flow was \$204.9 on higher earnings and better inventory control. We converted 105.6% of net income to operating cash, an improvement on last year's conversion rate of 91.6%.
- Accounts receivable were +15.2%. Our mix of growth contributed, and customers continue to push payments out at quarter end. Inventory was +14.0%. Pressures remain from growth and inflation, but we also sold through last quarter's accelerated purchases and restrained purchases as inventory initiatives rolled out.
- Net capital spending was \$52.8M in 1Q19, up 83.3% from 1Q18, reflecting higher spending for hub property and equipment as well as vending equipment. We continue to anticipate capital spending in a range of \$195M to \$225M in 2019.
- We returned \$123.0M of capital to shareholders via dividends. Debt was 16.9% of total capital in 1Q19, ahead of the level at 1Q18 (15.7%) but below the level at 4Q18 (17.8%). Our capital structure retains the flexibility to support our growth initiatives.



Appendix

Non-GAAP Financial Measures

The appendix includes information on our Return on Invested Capital ('ROIC'), which is a non-GAAP financial measure. We define ROIC as net operating profit less income tax expense divided by average invested capital over the trailing 12 months. We believe ROIC is a useful financial measure for investors in evaluating the efficiency and effectiveness of our use of capital and believe ROIC is an important driver of shareholder return over the long-term. Our method of determining ROIC may differ from the methods of other companies, and therefore may not be comparable to those used by other companies. Management does not use ROIC for any purpose other than the reasons stated above.

The tables that follow on page 9 include a reconciliation of the calculation of our return on total assets ('ROA') (which is the most closely comparable GAAP financial measure) to the calculation of our ROIC for the periods presented.

On December 22, 2017, new tax legislation commonly referred to as the Tax Cuts and Jobs Act (the 'Tax Act') was signed into law. The information presented on the appendix including the impact of the Tax Act noted on page 9 is a non-GAAP financial measure. Management believes reporting this measure will help investors understand the effect of tax reform on comparable reported results.



Return on Invested Capital*

Calculation of Return on Invested Capital

(Amounts in millions)	TTM 1Q19	TTM 1Q18
Operating Income	\$ 1,026.1	903.8
(Income Tax Expense)	(240.9)	(275.4)
Tax Act Adjustment ¹	(8.4)	56.9
NOPAT	\$ 776.8	685.3
Total Current Assets	\$ 2,224.8	1,935.5
Cash and Cash Equivalents	(161.3)	(135.7)
Accounts Payable	(166.0)	(138.9)
Accrued Expenses	(216.3)	(181.6)
Property & Equipment, Net	916.2	889.9
Other Assets	199.8 ²	82.7
Invested Capital	\$ 2,797.2	2,451.9
ROIC	27.8%	27.9%

¹Reflects application of our expected post-Tax Act tax rate to periods in 2017 and exclusion of one-time discrete items in 2018 for purposes of comparison.

²Includes operating lease right-of-use assets related to the adoption of accounting standards update on January 1, 2019, which lowered our ROIC by 1.1% and ROA by 0.8%.

Reconciliation of ROIC to Return on Assets (ROA)

(Amounts in millions)	TTM 1Q19	TTM 1Q18
Net Earnings	\$ 771.7	618.7
Total Assets	\$ 3,340.7 ²	2,908.0
ROA	23.1%	21.3%
NOPAT	\$ 776.8	685.3
Add: Income Tax Expense	240.9	275.4
Subtract: Tax Act Adj. ¹	8.4	(56.9)
Operating Income	1,026.1	903.8
Add: Interest Income	0.4	0.4
Subtract: Interest Expense	(13.9)	(10.1)
Subtract: Income Tax Expense	(240.9)	(275.4)
Net Earnings	\$ 771.7	618.7
Invested Capital	\$ 2,797.2	2,451.9
Add: Cash and Cash Equivalents	161.3	135.7
Add: Accounts Payable	166.0	138.9
Add: Accrued Expenses	216.3	181.6
Total Assets	\$ 3,340.7	2,908.0

*Amounts may not foot due to rounding differences.



Sequential Trends*

DSR BENCHMARKS	Jan.**	Feb.	Mar.	Cum. Chg., Jan. to Mar.	Apr.	May	June	Cum. Chg., Jan. to Jun.	July	Aug.	Sep.	Cum. Chg., Jan. to Sep.	Oct.	Cum. Chg., Jan. to Oct.	Nov.	Dec.
BENCHMARK	(1.2%)	1.5%	3.7%	5.3%	0.1%	2.0%	2.0%	9.6%	(3.3%)	3.7%	1.8%	11.9%	(1.9%)	9.8%	(4.0%)	(6.7%)
2019 DSR	(0.5%)	1.4%	4.2%	5.6%												
<i>Delta v. Benchmark</i>	0.6%	(0.1%)	0.5%	0.3%												
2018 DSR	(1.3%)	4.0%	2.1%	6.2%	2.4%	0.6%	3.7%	13.5%	(3.6%)	3.8%	3.6%	17.5%	(3.0%)	13.9%	(4.4%)	(5.3%)
<i>Delta v. Benchmark</i>	(0.2%)	2.5%	(1.6%)	0.9%	2.4%	(1.5%)	1.8%	3.9%	(0.3%)	0.1%	1.7%	5.6%	(1.1%)	4.2%	(0.4%)	1.4%
2017 DSR	0.2%	1.5%	3.6%	5.1%	2.2%	1.4%	2.8%	12.0%	(2.4%)	2.2%	3.8%	16.0%	(2.1%)	13.5%	(4.2%)	(7.1%)
<i>Delta v. Benchmark</i>	1.4%	0.0%	(0.1%)	(0.1%)	2.1%	(0.6%)	0.9%	2.4%	0.9%	(1.4%)	2.0%	4.1%	(0.2%)	3.8%	(0.2%)	(0.5%)
2016 DSR	0.4%	(0.8%)	1.5%	0.7%	1.7%	0.6%	(0.2%)	2.9%	(2.3%)	2.4%	1.5%	4.5%	(0.9%)	3.6%	(5.5%)	(6.6%)
<i>Delta v. Benchmark</i>	1.5%	(2.3%)	(2.2%)	(4.6%)	1.6%	(1.4%)	(2.1%)	(6.7%)	1.0%	(1.3%)	(0.3%)	(7.5%)	1.0%	(6.2%)	(1.5%)	0.1%

Days Count																Total	
2019	22	20	21		22	22	20		22	22	20		23		20	20	254
2018	22	20	22		21	22	21		21	23	19		23		21	19	254
2017	21	20	23		20	22	22		20	23	20		22		21	20	254
2016	20	21	23		21	21	22		20	23	21		21		21	21	255

* Acquisition of Mansco lifted the 2017 DSRs for April along with the Jan. to June, Jan. to Sep., and Jan. to Oct. Cumulative Changes by 1.3pps each.

** The January average is based on the historical change in January vs. October. All other months are sequential.

Notes:

- Good Friday will be during April in 2019 vs. March in 2018.
- Amounts may not foot due to rounding differences.



Employee Statistics

HEADCOUNT STATISTICS	Absolute Count				
	1Q19	1Q18	Change	4Q18 ²	Change
Branches/Onsites	14,336	13,745	4.3%	14,015	2.3%
Non-Branch Selling	1,779	1,762	1.0%	1,772	0.4%
Selling Personnel	16,115	15,507	3.9%	15,787	2.1%
Distribution	4,002	3,572	12.0%	3,830	4.5%
Manufacturing	743	672	10.6%	736	1.0%
Administrative	1,345	1,251	7.5%	1,291	4.2%
Non-Selling Personnel	6,090	5,495	10.8%	5,857	4.0%
Total Personnel	22,205	21,002	5.7%	21,644	2.6%

HEADCOUNT STATISTICS	FTE Count ¹				
	1Q19	1Q18	Change	4Q18 ²	Change
Branches/Onsites	12,482	11,878	5.1%	12,211	2.2%
Non-Branch Selling	1,745	1,717	1.6%	1,732	0.8%
Selling Personnel	14,227	13,595	4.6%	13,943	2.0%
Distribution	2,923	2,598	12.5%	2,834	3.1%
Manufacturing	700	637	9.9%	693	1.0%
Administrative	1,275	1,174	8.6%	1,234	3.3%
Non-Selling Personnel	4,898	4,409	11.1%	4,761	2.9%
Total Personnel	19,125	18,004	6.2%	18,704	2.3%

NOTES:

¹ FTE – “Full-Time Equivalent”. FTE is based on 40 hours per week.

² In materials released on January 17, 2019 related to our fourth quarter and full year 2018 earnings results, we undercounted our total employees by 25. We corrected this in the table above.



In-Market Location Statistics

BRANCH STATISTICS	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
New Branch openings											
1Q	33	29	37	28	11	9	2	17	5	0	3
2Q	9	16	38	25	22	8	6	10	5	5	
3Q	3	45	19	20	11	5	5	8	5	3	
4Q	24	37	28	7	9	2	28	5	3	3	
Cumulative	69	127	122	80	53	24	41	40	18	11	3
Closed/Converted Branches											
Closed Branches (Annual)	(10)	(7)	(28)	(16)	(16)	(73)	(50)	(144)	(130)	(157)	(42)
Converted Branches (Annual)											
Branch-to-Customer Only	(1)	(1)	0	0	(2)	(2)	(6)	(16)	(8)	(10)	(1)
Customer Only-to-Branch	0	2	1	3	0	1	0	1	0	0	0
Cumulative	(11)	(6)	(27)	(13)	(18)	(74)	(56)	(159)	(138)	(167)	(43)
Branch Count	2,369	2,490	2,585	2,652	2,687	2,637	2,622	2,503	2,383	2,227	2,187
Active Onsites						214	264	401	605	894	945
TOTAL IN-MARKET LOCATIONS	2,369	2,490	2,585	2,652	2,687	2,851	2,886	2,904	2,988	3,121	3,132

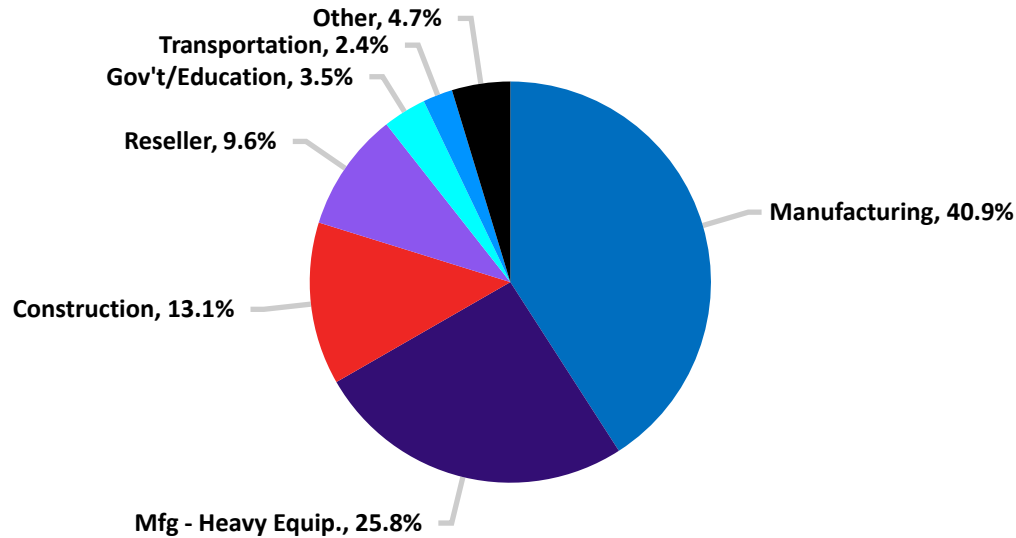
NOTES:

- As of March 31, 2019, includes 1,890 branches in the U.S., 187 in Canada, and 110 in the rest of the world.
- Branch Count includes all locations that sell to multiple customer accounts (traditional branches, overseas branches, and strategic accounts branches). It excludes locations that sell to single customer accounts (strategic accounts sites and Onsite locations).
- Onsite location information prior to 2014 is intentionally omitted. While such locations have existed since 1992, we did not specifically track their number until we identified our Onsite program as a growth driver in 2014.



End Market Profile

End Market Mix -- 2018



MAJOR SEGMENT GROWTH

(Daily Sales rates)

		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Full Year
Manufacturing (incl. Heavy Equip.)	2019	13.8%	11.6%	14.7%										13.4%
	2018	13.3%	15.9%	14.0%	14.4%	11.9%	14.0%	11.5%	13.3%	14.7%	12.1%	12.2%	15.5%	13.5%
Construction	2019	16.7%	11.0%	12.1%										13.1%
	2018	7.9%	10.5%	10.9%	13.1%	15.9%	17.4%	16.4%	18.5%	13.7%	14.6%	13.9%	15.2%	14.1%